



STATE OF NEW JERSEY

Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

CLEAN ENERGY

IN THE MATTER OF APPROPRIATE)
UTILITY FUNDING ALLOCATION FOR)
THE 2004 CLEAN ENERGY PROGRAM)
)
IN THE MATTER OF COMPREHENSIVE)
ENERGY EFFICIENCY AND RENEWABLE)
ENERGY RESOURCE ANALYSIS)

Order Establishing
Procedural Schedule
Issues to Be Addressed

DOCKET NO. EX03110946
DOCKET NO. EX04040276

(SERVICE LIST ATTACHED)

BY THE BOARD:

In accordance with the December 22, 2003 Board Order, Docket No. EO02120955, and the Electric Discount and Energy Competition Act ("EDECA") N.J.S.A. 48:3-49 et seq., specifically N.J.S.A. 48:3-60(a)(3), the New Jersey Board of Public Utilities ("Board") must initiate a proceeding and cause to be undertaken a comprehensive resource analysis ("CRA") of energy programs. After notice, opportunity for public comment and public hearing, and after consultation with the Department of Environmental Protection ("NJDEP"), the Board shall determine, within eight months of initiating the proceeding, the appropriate level of funding for energy efficiency and Class I renewable energy programs that provide environmental benefits above and beyond those provided by standard offer or similar programs in effect as of February 9, 1999.

With the enactment of EDECA, the Board initiated the first comprehensive energy efficiency and renewable energy resource analysis in June 1999. After the submission of voluminous information and data on program design, administration, incentives, cost recovery, funding levels, allocations and rate impacts, testimony of utility, energy and environmental organizations and industry experts; numerous public meetings, a public hearing, and Board Staff evaluation in consultation with the NJDEP, the Board issued its

Comprehensive Resource Analysis (“CRA”) Final Order¹ in that proceeding on March 9, 2001 (“CRA Order”), which established Clean Energy Program funding levels for the years 2001 through 2003.

The CRA Order determined the funding levels for the first three years only, because the Board left the decision concerning funding levels for the fourth year (2004) open for consideration subsequent to the lifting of the rate caps scheduled for August 2003. In its January 22, 2003 Order,² Docket No. EX99050347 et al, the Board established the New Jersey Clean Energy Council, as advisors to the Board for planning assistance in the administration of the programs. As set forth in the January 22, 2003 Order, the Clean Energy Council is responsible for working with Board Staff to make recommendations and assessments of the components of the New Jersey Clean Energy Program, programmatic effectiveness, the goals and objectives on a program-by-program basis, incentive levels, program delivery, consumer satisfaction, and administrative efficiency.

In its March 4, 2003 Order,³ Docket No. EO02120955, the Board directed the New Jersey Clean Energy Council to make a recommendation on the final administrative structure of the New Jersey Clean Energy Program by July 1, 2003. The Board further directed that any future reorganization should recognize the distinction between administrative/implementation and planning/design. The Clean Energy Council was established in March 2003, and released its Report: “New Jersey Clean Energy Program – Recommendation on Administration and Fund Management” (“Report”) on July 21, 2003.

Pursuant to the recommendations in the Clean Energy Council Report, the Board in its September 11, 2003 Order, Docket Number EO02120955⁴, directed the Office of Clean Energy Staff to assume the role of administrator of the Clean Energy Program. The September 11, 2003 Order further directed Staff to initiate a proceeding to address the issue of equity collection. Specifically, the Report identified concerns over the collection of unequal assessments under the Societal Benefits Clause (“SBC”) in different service territories, and encouraged the Board to address the issue prior to the implementation of the 2004 Clean Energy Program Budget.

¹ I/M/O the Petition of the Filings of the Comprehensive Resource Analysis of Energy Programs Pursuant to Section 12 of the Electric Discount and Energy Competition Act of 1999, Docket Nos. EX99050347, EO99050348, EO99050349, EO99050350, EO99050351, GO99050352, GO99050353, GO99050354, Final Order dated March 9, 2001.

² I/M/O The Petition of the Filing of the Comprehensive Resource Analysis of Energy Programs Pursuant to Section 12 of the Electric Discount and Energy Competition Act of 1999 and the Review to Evaluate and Make Recommendations Concerning the Statewide Administration of Energy Efficiency and Customer Sited Renewable Energy Programs Docket No. EX99050347, Final Order dated January 22, 2003.

³ I/M/O The Clean Energy Program, Docket No. EO02120955, Final Order dated March 4, 2003.

⁴ I/M/O The New Jersey Clean Energy Program – Recommendations for Administrative and Fund Management, Docket No. EO02120955, Final Order dated September 11, 2003.

Thereafter, in its December 22, 2003, Order,⁵ the Board stated that as the Clean Energy Program (CEP) transitions to Board administration, the program will be administered without regard to service territories. The December 22, 2003 Order also concluded that equalizing the level of funding contributed by customers in the various utility service territories for the 2004 Clean Energy Program should be considered further and thus directed the Office of Clean Energy to submit to the Board a proposed procedural schedule for consideration of this issue. The December 22, 2003 Order further stated that the proceeding should be limited exclusively to the allocation among the utilities of the 2004 statewide funding of the Clean Energy Program. Any revisions to the current allocation would be applicable subsequent to the issuance of an Order by the Board. In the interim, the Board ordered the allocation of the statewide funding among the utilities to continue to be based on the 2003 formula set forth in the Final Order until a proceeding to address levelized funding among the utilities is concluded.⁶

Pursuant to the December 22, 2003 Order, the utilities filed initial statements documenting their respective positions on these issues, referencing the caption and docket number I/M/O Appropriate Utility Funding Allocation for the 2004 Clean Energy Program, BPU Docket No. EX03110946. Timely, comments on the appropriate funding allocation for the 2004 CEP were received from Public Service Electric and Gas Company, Conectiv, Jersey Central Power and Light Company, Rockland Electric Company, New Jersey Natural Gas Company and South Jersey Gas Company.

In addition to the 2004 funding level and allocation issues to be decided by the Board, EDECA requires a proceeding on the Comprehensive Resource Analysis of the 2005 through 2008 Clean Energy Program. EDECA provides that in each of the following fifth through eighth years, the statewide funding for such programs shall be no less than 50 percent of the total statewide amount being collected in public electric and gas utility rates for demand side management programs on February 9 1999.⁷ Furthermore, EDECA states that the Board shall determine, as a result of a comprehensive analysis, the programs to be funded by the SBC and the level of cost recovery and performance incentives for old and new programs.

As a result of the requirements in EDECA and the aforementioned Orders, the Board HEREBY ADOPTS the following process: The Board and the Office of Clean Energy shall initiate a series of public hearings on program funding and funding allocations; and a series of public meetings on specific program topics for the comprehensive resource analysis of the energy efficiency and Class I renewable energy programs.

⁵ I/M/O The New Jersey Clean Energy Program – 2004 Program and Budget, Docket No. EO02120955, Final Order dated December 22, 2003.

⁶ The Board recognizes that the original timeline for proceedings on the level of funding and allocation of funding for the 2004 Clean Energy Program as set forth in its December 22, 2003 Order has expired. The Board hereby revises its earlier Order in accordance with the modified schedule on the proceeding to determine the allocation of funding for the 2004 Clean Energy Program as set forth herein. The Board also notes that the Office of Clean Energy Noticed a public hearing to address the level of funding for the 2004 Clean Energy Program on April 30, 2004.

⁷ Determined in the March 9, 2001 Order to be \$107.5 million.

Data, technical reports and other information will be solicited on the following issues:

1. What technology should be included in the specific program;
2. What incentive levels should be established for each program or technology;
3. What market share penetration is achievable for each program or technology;
4. What participation rate is achievable for each program or technology;
5. What management issues should be considered for each program or technology;
6. What implementation activities should be considered for each program or technology; and
7. What should be the overall funding level for each program or technology.

Anyone wishing to provide comments should submit to:

Michael Winka Director
NJBP - Office of Clean Energy
POB 350
Trenton, NJ 08625-0350

Comments shall be submitted at least five days prior to the hearing or meeting on that topic. All written information or reports submitted at a specific topic hearing or meeting will be posted on the Board's website. Reply comments can be heard or submitted at the hearing or meeting on the topic. All written comments should be provided in a Word document format to help facilitate postings to the website.

The Board ORDERS that the interested parties should consider the issues noted below in their comments.

Overall Policy

1. How should the current policy goals and objectives for the Clean Energy Programs, adopted pursuant to this Order, as noted below, change and be re-prioritized to reflect new renewable and energy efficiency priorities on a going forward basis for the next four years (from 2005 to 2008) given the following, and possibly other conditions economic development, cost-effectiveness, market transformation, affordability, resource acquisition, environmental, and other state regional and federal initiatives?
2. What are the decision-making guidelines and criteria for choosing among competing programs and objectives given funding constraints for periods 2005 through 2008?
3. What cost-effectiveness analysis should be undertaken for energy efficiency and renewable energy programs and what role does this play in setting program priorities?
4. How should funding be allocated to each Class I renewable energy and new and existing energy efficiency programs?
5. How should the funds be allocated across the gas and electric utilities in the state for the Clean Energy programs?
6. Provide suggestions on how funding for new programs can be generated through the reallocation of funds from the expiration of past standard offer or similar commitments as set forth in N.J.S.A. 48:3-60a(3).
7. Which existing programs are not cost effective?
8. How should the Board modify existing programs?

9. What funding should be established for the next four years to utilize the resources identified in the resource assessment in order to meet the policy goals and objectives established by the BPU with regard to:

Residential Energy Efficiency;
Commercial and Industrial Energy Efficiency;
Low Income Programs; and
Class I Renewable Energy Resources.

Resource Assessment and Program Plan Resource Assessment

1. What technologies need assistance?
2. How should program incentives be phased-out over time?
3. What criteria should the Board employ to ascertain the level of market maturity for new technologies and reduction in market barriers?

Program Plan

1. What markets will be served under each new energy efficiency and renewable program and which markets will no longer be served as certain programs are eliminated or expire?
2. What program plans should be established for the next four years to utilize the resources identified in the resource assessment in order to meet the policy goals and objectives established by the BPU with regard to:
 - a. Residential Energy Efficiency;
 - b. Commercial and Industrial Energy Efficiency;
 - c. Low Income; and
 - d. Class I Renewable Energy Resources.
3. What programs should be implemented? What level of funding is optimal for each program to be implemented?
 - a. Provide a complete description of the each new energy efficiency and class I renewable energy program proposed.
 - b. Provide a description of the roles parties play within each new energy efficiency and class I renewable program.
4. Which programs should be implemented on a statewide basis and which should be tailored to specific areas of the State?
5. Should programs be tailored to address specific technologies, markets, or sizes of installation? Provide all supporting documentation.
6. What are the costs and benefits of proposed programs?
7. Who should manage the implementation of the programs?

In July 2004, the 2003 New Jersey Clean Energy Program evaluation report by Rutgers Bloustein School – Center for Energy Economics and Environmental Policy will be complete and will be available to the CEC for review and discussion. The findings of the report will be presented at an August 2004 CEC public meeting as part of this proceeding.

Based on this evaluation and report by the Rutgers Bloustein School, and the comments received during the topical meetings, the OCE with the advice of the CEC will develop a proposal to address the issues in these proceedings. The proposal will be the subject of a public hearing. After this hearing, the CEC will finalize its recommendations on the

proceeding to the OCE. The OCE will develop recommendations to the Board on the 2004 allocation and the 2005-2008 proceeding.

In accordance with the foregoing, the Board HEREBY DESIGNATES President Fox as the Hearing Officer to oversee the hearing proceedings on program funding and funding allocation. In accordance with the foregoing, the Board HEREBY DESIGNATES the Director of the Office of Clean Energy to chair the technical meetings on the specific program topics. The Clean Energy Council will be invited to participate in the hearings and meetings. The Board HEREBY ADOPTS the following procedural schedule, which will begin in May 2004 and continue as follows: (one meeting for each Clean Energy program)

| | |
|----------------|---|
| June 8, 2004 | Hearing on Funding allocation among Utilities for 2004 – Rutgers University - Bloustein School – New Brunswick – 10:00AM to 12:00 noon |
| June 15, 2004 | Meeting on Residential Programs - Trenton 10:00 AM to 12:00 noon |
| June 29,, 2004 | Meeting on Commercial and Industrial Programs - Newark 10:00 AM to 12:00 noon |
| July 13, 2004 | Meeting on Low – Income Programs - Trenton 10:00 AM to 12:00 noon |
| July 27, 2004 | Meeting on Renewable Energy Programs - Newark 10:00 AM to 12:00 noon |
| August 5, 2004 | Hearing on Funding Levels and Allocation for Clean Energy Programs for the Years 2005 – 2008 - Trenton 10:00AM to 12:00 noon and 1:00 p.m. to 4:00 p.m. |

Any changes to the above schedule will be posted on the NJBPU website and on the Clean Energy Program website.

The Office of Clean Energy Staff will make available each topic on the Board of Public Utilities website when possible. Accordingly, the Board HEREBY ORDERS that the seven electric and gas utilities respond to the issues below within thirty (30) days after the Board issues this Order.

1. What is the current amount being collected in rates for each gas and electric utility: for the Clean Energy Program; and for legacy programs?
2. How should funds be allocated across the gas and electric utilities in the state for Clean Energy programs?
3. Provide suggestions on how funding for new programs can be generated through the reallocation of funds from the expiration of past standard offer or similar commitments as set forth in N.J.S.A. 48:3-60a(3).

The Board HEREBY AUTHORIZES its Staff and Deputy Attorney Generals to notify the parties of the actual proceeding dates and issues to be addressed.

The goals for the energy efficiency and renewable energy programs, as set forth in EDECA, are to establish programs that reduce market barriers and transform the market, have environmental benefits over and above those of existing standard offer programs, make energy service more affordable for low-income customers, and

eliminate subsidies for programs that can be delivered into the market without SBC funding.

The Board HEREBY ADOPTS the following objectives for the Clean Energy Program:

1. Objective. By December 31, 2008, six and a half percent of the electricity used by New Jersey residents and businesses will be provided by Class I and/or Class II renewable energy resources, of which a minimum of four percent will be from Class I renewable energy resources.
2. Objective. By December 31, 2008, install 300 MW of Class I renewable electric generation capacity in New Jersey, of which a minimum of 90 MW will be derived from photovoltaics.
3. Objective. By December 31, 2012, 785,000 Megawatt hours per year and 20 billion cubic feet gas per year of energy savings will be derived from energy efficiency and renewable energy measures.

Programs accomplished and progress on the achievement of these objectives shall be reported to the Board annually. This report shall include recommendations as appropriate to improve programs if progress does not appear that the objective will be achieved in the appropriate timeframe.

DATED: **May 7, 2004**

BOARD OF PUBLIC UTILITIES
BY:

SIGNED

JEANNE M. FOX
PRESIDENT

SIGNED

FREDERICK F. BUTLER
COMMISSIONER

SIGNED

CAROL J. MURPHY
COMMISSIONER

SIGNED

CONNIE O. HUGHES
COMMISSIONER

SIGNED

JACK ALTER
COMMISSIONER

ATTEST:

SIGNED
KRISTI IZZO
SECRETARY